



BILLING CODE (3410- XV-U)

DEPARTMENT OF AGRICULTURE

Rural Housing Service

Notice of Solicitation of Applications (NOSA) for the Multifamily Preservation and Revitalization (MPR) Demonstration Program Under Section 514, Section 515, and Section 516 for Fiscal Year 2015

AGENCY: Rural Housing Service, USDA

ACTION: Notice

SUMMARY: The Rural Housing Service (Agency) announces the timeframe to submit applications to participate in a demonstration program to preserve and revitalize existing Rural Rental Housing (RRH) projects under Section 514, Section 515, and Section 516 of the Housing Act of 1949, as amended. Under this demonstration program, existing Section 515 Multi-Family Housing (MFH) loans and Sections 514/516 Off-Farm Labor Housing (FLH) loans will be restructured to ensure sufficient resources are available to preserve the ability of rental projects to provide safe and affordable housing for very low-, low-, or moderate-income residents. Projects participating in this program will be expected to be revitalized to extend their affordable use without displacing tenants

because of increased rents. No additional Agency Rental Assistance (RA) will be made available under this program.

DATES: For Fiscal Year 2015, the Agency will facilitate use of the Fiscal Year 2015 Multifamily Preservation and Revitalization (MPR) funding tools by holding a competitive application round for MPR applications requesting other MPR funding tools, in addition to the available MPR deferral assistance, and by adding a continuous open application process for any transfer applications that request only the MPR loan deferral assistance. Application deadlines for these opportunities are:

(1) For MPR applications requesting debt deferral of eligible Section 514 or Section 515 loans, plus other MPR funding tools, complete applications must be received no later than 5:00 P.M. Eastern Time, 120 calendar days after [INSERT DATE OF PUBLICATION OF THIS NOTICE IN THE **FEDERAL REGISTER**], and

(2) For any MPR applications requesting debt deferral only for eligible Section 514 or Section 515 loans, complete applications may be submitted on an ongoing basis through COB 5:00 P.M. Eastern Time, December 31, 2015.

The pre-application closing deadline is firm as to date and hour. The Agency will not consider any pre-application that is received after the closing deadline. Applicant's intending to mail pre-applications must allow sufficient time to permit delivery on or before the closing deadline. Acceptance by a post office or private mailer does not constitute delivery. Facsimile (FAX) and postage-due pre-applications will not be accepted.

FOR FURTHER INFORMATION CONTACT: Dean Greenwalt ,

dean.greenwalt@wdc.usda.gov, (314) 457-5933, and/or Abby Boggs

abby.boggs@wdc.usda.gov, (615) 783 1382, Finance and Loan Analyst, Multi-Family

Housing Preservation and Direct Loan Division, STOP 0782, (Room 1263-S) U.S.

Department of Agriculture, Rural Development, 1400 Independence Avenue, SW,

Washington, D.C. 20250-0782. All hard copy pre-applications and required documents

(attachments) must be submitted to this address. *(Please note these telephone numbers are not a toll-free numbers.)*

SUPPLEMENTARY INFORMATION:

This Fiscal Year (FY) 2015 funding for the MPR demonstration program will be posted on the Rural Development website, www.rd.usda.gov/newsroom/notices-solicitation-applications-nosas. The commitment of program dollars will be made to applicants of selected applications that have fulfilled the necessary requirements for obligation, to the extent an appropriation act provides funding for the MPR demonstration program.

Expenses incurred in applying for this Notice will be borne by and be at the applicant's risk.

Of particular note this year, the Rural Housing Service (the Agency) will assign additional points to pre-applications for projects based in or serving census tracts with poverty rates greater than or equal to 20 percent. This emphasis will support Rural

Development's (RD) mission of improving the quality of life for Rural Americans and commitment to directing resources to those most in need.

A synopsis of this program and the pre-application's universal resource locator will be listed by Catalog of Federal Domestic Assistance Number or at Federal Grants Wire at <http://www.federalgrantswire.com>.

Paperwork Reduction Act

The information collection requirements contained in this Notice have received approval from the Office of Management and Budget (OMB) under Control Number 0570-0190.

Overview

Federal Agency Name: Rural Housing Service, USDA.

Funding Opportunity Title: Multifamily Preservation and Revitalization Demonstration Program - Section 514, Section 515, and Section 516 for Fiscal Year 2015.

Announcement Type: Inviting responses in the form of pre-applications from interested applicants.

Catalog of Federal Domestic Assistance Number (CFDA): 10.447.

I. Funding Opportunity Description

The Consolidated and Further Continuing Appropriations Act, 2015, Pub.L. 113-235, signed December 16, 2014, authorized the Agency to conduct a demonstration

program for the preservation and revitalization of the Section 515 MFH portfolio and Sections 514/516 Off-FLH portfolio. Section 514, Section 515 and Section 516 MFH programs are authorized by the Housing Act of 1949, as amended (42 U.S.C. 1484, 1485 and 1486) and provide Rural Development with the authority to provide financial assistance for low- income MFH and FLH and related facilities, as described in 7 CFR part 3560.

This Notice solicits pre-applications from interested borrowers/applicants to restructure existing MFH projects already participating in the Agency's Section 515 MFH portfolio and Sections 514/516 FLH portfolio for the purpose of revitalization and preservation. Eligible borrowers are sometimes referred to in this Notice as "applicants," "borrowers," "applicant/borrowers," or "owners" as seems most appropriate for the context of the relevant Notice provision. The MPR demonstration program shall be referred to in this Notice as the Multifamily Preservation and Revitalization demonstration program. Agency regulations for the Section 515 MFH program and the Sections 514/516 FLH program are published at 7 CFR part 3560.

The intent of the MPR demonstration program is to ensure that existing rental projects will continue to deliver decent, safe and sanitary affordable rental housing for 20 years, the remaining term of any Agency loan, or the remaining term of any existing Restrictive-Use Provisions (RUP) or prohibition, whichever ends later.

NOTE: All pre-applications will be selected by the Agency using the process described in this Notice, and the selected applicants will be invited to participate in the MPR demonstration program. Upon written notification to the Agency from the selected applicant of their acceptance to participate, an independent third-party Capital Needs

Assessment (CNA) will be conducted to provide a fair and objective review of projected capital needs. The Agency shall implement any restructuring proposal that may be offered under this Notice through an MPR Conditional Commitment (MPRCC) with the eligible borrower/applicant, which will include all the terms and conditions offered by the Agency.

One of the MPR tools to be used in this program is debt deferral for up to 20 years of the existing Section 514 or Section 515 loans obligated prior to October 1, 1991. The cash flow from the deferred payment will be deposited, as directed by the Agency, to the reserve account to help meet the future physical needs of the project, support new debt or to reduce rents, as determined by the Agency.

A. Debt deferral is described as follows:

1. MPR Debt Deferral. A deferral of the existing Section 514 or Section 515 Agency loan(s), obligated prior to October 1, 1991, for 20 years. If the term of any existing Section 514 or Section 515 loans is less than 20 years, the Agency will offer a re-amortization of the existing loans extending the term to a minimum of 20 years. Section 514 or Section 515 loans obligated prior to October 1, 1991, and subsequently transferred on new rates and terms may not be eligible for deferral. Any questions on whether or not a loan is eligible for deferral should be directed to the local RD State Office at: http://teamrd.usda.gov/rd/emp_services/directory/states/Combined.doc. All terms and conditions of the deferral will be described in the MPR Debt Deferral Agreement. A balloon payment of principal and accrued interest will be due at the end of the deferral period. Interest will accrue at the promissory note rate and, if applicable, the subsidy will

be applied as set out in the Agency's "*Multiple Family Housing Interest Credit Agreement*" Form RD 3560-9, which is available at <http://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD3560-9.PDF>.

B. Other Agency MPR funding tools are as follows:

1. MPR Grant. A grant limited to non-profit applicants/borrowers only. The grant will be limited to the cost of correcting health and safety violations of a project identified by a CNA accepted by the Agency. The grant administration will be in accordance with applicable provisions of 2 CFR parts 200 and 400.

2. MPR Zero Percent Loan. A loan at zero percent interest. The loan's maximum term and amortization will be as authorized by the respective program authority.

(a) For Section 515 RRH projects, the maximum loan term is 30 years amortized over a maximum term of 50 years.

(b) For Sections 514/516 projects, the loan will be amortized over a maximum term of 33 years.

3. MPR Soft-Second Loan. A loan with a one percent interest rate that will have its accrued interest and principal deferred to a balloon payment. The balloon payment will be due at the same time the latest maturing Section 514 or Section 515 loan already in place at the time of closing, or the maturity date of any current loan being re-amortized as part of the restructuring, is due.

MPR funds cannot be used to build community rooms, add additional parking areas, playgrounds, laundry rooms or additional new units, unless the additional unit(s)

are needed for the project to meet the 5 percent fully accessible requirement as defined by Uniform Federal Accessibility Standards (UFAS), and the Agency concurs. However, other funding sources as outlined below in (a) through (f) can be used either for such revitalization and/or improvements:

4. Other Sources of Funds:

- (a) Rural Development Section 515 Rehabilitation loan funds;
- (b) Rural Development Sections 514 /516 Off-Farm rehabilitation loan/grant funds;
- (c) Rural Development Section 538 Guaranteed Rural Rental Housing (GRRH) program financing;
- (d) Rural Development Multi-Family Housing Preservation Revolving Loan Funds program;
- (e) Third-party loans, grants, tax credits and tax-exempt financing; and
- (f) Owner-provided capital contributions in the form of a cash infusion. A cash infusion cannot be a loan.

Transfers, subordinations, and consolidations may be approved as part of an MPR transaction in accordance with 7 CFR part 3560. If a transfer is part of the MPR transaction, and the transfer includes a seller payment and/or increase in the allowable Return to Owner (RTO), the transfer must first be underwritten to meet the requirements of 7 CFR 3560.406. The transfer underwriting may assume the deferral of all eligible Sections 514/516 or Section 515 loans. After the transfer has been underwritten and concurred with by the Agency's Multifamily Housing Preservation and Direct Loan Division, the MPR transaction may be underwritten.

For the purposes of the MPR demonstration program, the restructuring transactions will be identified by the Agency in three categories:

- Simple Transactions: these involve no change in ownership.
- Complex Transactions: these may consist of a project transfer to a new ownership, processed in accordance with 7 CFR 3560.406, with or without a consolidation, or transactions requiring a subordination agreement as a result of third-party funds. The applicant will submit one pre-application. If a consolidation is proposed, all projects to be consolidated must be submitted on one pre-application and be located in the same market area.

To be considered in the same market area, projects must be in a neighborhood or similar area where the property competes for tenants; managed under one management plan and one management agreement; and, in sufficiently close proximity to permit convenient and efficient management of the property.

Applicants should discuss proposed consolidations with the Rural Development State Office in the State(s) where the projects are located prior to filing their MPR pre-application to ensure Rural Development concurs with the applicant's market area estimation.

If either the Agency or the owner chooses to remove one or more projects from the proposal, this may be done without affecting the eligibility of the complex transaction. To be a complex transaction, the Agency assumes only one project remains at the MPR closing.

- Portfolio transactions: these include two or more projects with one stay-in owner, or two or more projects with multiple project sale transactions to a common

purchaser all located in one State. A stay-in-owner is defined as an existing Section 515 or Sections 514/516 borrower who owns two or more properties either as a single ownership entity or as separate legal entities with at least one common general partner/managing member. Each project included in the portfolio will be submitted on a separate pre-application form unless some projects are located in the same market area, as defined above, and are being consolidated. Any projects in the portfolio proposed to be consolidated should be listed on the same pre-application form. Each pre-application must have the same portfolio name. If the owner chooses to remove one or more projects from the proposal, at least two projects must remain in order to be classified as a portfolio transaction. At the end of the transaction, the Agency assumes there will be two or more projects. The projects of the stay-in owner or common purchaser must have at least one general partner/managing member in common.

Transactions within each category may utilize any or all MPR funding tools described above in paragraph I, “Funding Opportunity Description.” MPR tools available through the MPR demonstration program will be used to address preservation and rehabilitation needs identified in the Agency accepted CNA.

Liens against the project, with the exception of Agency deferred debt, cannot exceed the Agency-approved security value of the project. All Agency debt, either in first lien position or a subordinated lien position, must be secured by the project, except deferred debt, which is not included in the Agency’s total lien position for computation of the Agency’s security value. Payment of any deferred debt will not be required from normal project operations income. Payment of any deferred debt will be required from

excess cash generated from project operations after all other secured debts are satisfied or as directed by the Agency.

Maturing Mortgage Applications

The Agency recognizes that a number of Section 515 and Sections 514/516 properties are financed through mortgages scheduled to mature through calendar year 2018. The Agency will make an MPR debt deferral available to properties with all Agency mortgages maturing on or before December 31, 2018, in order to extend the affordable use of the housing and continue its eligibility for Section 521 Rental Assistance. Notwithstanding any other provisions of this Notice, applicants applying for a deferral of their eligible mortgage debt will be required to meet the eligibility requirements in either 7 CFR 3560.55 or 3560.555, as determined applicable by the Agency. Applicants applying solely for deferral of eligible maturing mortgages will only be required to submit the MPR pre-application within the established deadlines set out in the “DATES” section of this Notice; no additional supporting documentation is required.

The applicant will complete the MPR pre-application documenting the date the Agency loans will mature. The Agency reserves the right to approve an MPR debt deferral under this paragraph in its sole discretion, based on factors including but not limited to: the preceding 12-month average physical vacancy; analysis of current ownership; evidence the property is financially solvent; the current physical condition of the property; amount of assistance needed to meet immediate and long term physical needs of the property; and the availability of other subsidized housing within the community.

If other MPR tools are needed, in addition to debt deferral, the Agency will require selected applicants to submit an approved Capital Needs Assessment to provide a fair and objective review of the property's projected physical needs.

II. Award Information

All Agency funding of pre-applications selected under this Notice will carry over to the next fiscal year and be considered for funding. However, pre-applications selected under this Notice must be approved by the Agency no later than December 31, 2017. Any pre-applications selected under this Notice, not approved by the Agency prior to December 31, 2017, will be considered automatically withdrawn. Applicants may reapply for funding under future Notices.

Applicants are alerted the Agency has unfunded applications carried over from prior Notices that will receive priority consideration for funding approval in FY 2015 based on the terms of those Notices. If fiscal year funds available for the MPR demonstration program are fully committed before all eligible pre-applications selected for further processing under this Notice are funded, the Agency may suspend further processing of the pre-applications at that time.

MPR funding tools will be used in accordance with 7 CFR part 3560. The program will be administered within the resources available to the Agency through Pub.L. 113-235 and any future appropriations for the preservation and revitalization of Sections 514/516 and Section 515-financed projects. In the event that any provisions of 7 CFR part 3560 conflict with this Notice, the provisions of this Notice will take precedence.

III. Eligibility Information

A. Applicants (and the principals associated with each applicant) must meet the following requirements:

1. All applicants must meet the eligibility requirements included in 7 CFR 3560.55 or 3560.555, as determined appropriate by the Agency. This Notice requires selected applicants to make the required equity contribution as outlined in 3560.63(c) for any new Section 515 loan offered as part of the MPR. Funds committed under Section I may be used to fund all or a portion of the required equity contribution. Loan applicants will not be given consideration for any increased equity value the property may have since the initial loan was made. Eligibility also includes the continued ability of the borrower/applicant to provide acceptable management and will include an evaluation of any current outstanding deficiencies. Any outstanding violations or extended open findings as defined in Section V, and recorded in the Agency's automated Multi-Family Information System (MFIS), will preclude further processing of any MPR applications associated with the applicant/borrower as well as any affiliated entity having a 10 percent or more ownership interest **unless** there is a current, approved workout plan in place and the plan has been satisfactorily followed for a minimum of 6 consecutive months, as determined by the Agency.

2. For Section 515 RRH projects, the average physical vacancy rate for the 12 months preceding this Notice's publication date can be no more than 10 percent for projects consisting of 16 or more revenue units and no more than 15 percent for projects less than 16 revenue units unless an exception applies under section VI paragraph (1) of this Notice. If a project consolidation is involved, the consolidation will remain eligible

so long as the average vacancy rate for each individual project meets the occupancy standard noted in this paragraph. Projects that do not meet the occupancy threshold at the time of filing the application, regardless of reason, may be withdrawn by the owner or the Agency without jeopardizing the application.

3. For Sections 514/516 FLH projects, rather than an average physical vacancy rate as noted in section (ii) above, a positive cash flow for the previous full 3 years of operation is required unless an exception applies as described section III(A)(2), above.

4. Ownership of and ability to operate the project after the transaction is completed. In the event of a transfer, the proposed transferee must submit evidence of site control. Evidence may include a Purchase Agreement, Letter of Intent, or other documentation acceptable to the Agency.

5. An Agency approved CNA (for guidance refer to <http://www.rd.usda.gov/programs-services/housing-preservation-revitalization-demonstration-loans-grants>) and an Agency financial evaluation must be conducted to ensure that utilization of the restructuring tools of the MPR demonstration program is financially feasible and necessary for the revitalization and preservation of the project for affordable housing. Initial eligibility for processing will be determined as of the date of the pre-application filing deadline. The Agency reserves the right to discontinue processing any application due to material changes in the applicant's status occurring at any time after the initial eligibility determination.

6. All grant-eligible applicants must obtain a Dun and Bradstreet Data Universal Numbering System (DUNS) number and register in the Central Contractor

Registration (CCR) prior to submitting a pre-application pursuant to 2 CFR 25.200. In addition, an entity applicant must maintain registration in the CCR database at all times during which it has an active Federal award or an application or plan under consideration by the Agency. Similarly, all recipients of Federal Financial Assistance are required to report information about first-tier, sub-awards and executive compensation, in accordance with 2 CFR part 170. So long as an entity applicant does not have an exception under 2 CFR 170.110(b), the applicant must have the necessary processes and systems in place to comply with the reporting requirements should the applicant receive funding. See 2 CFR 170.200(b).

IV. Application and Submission Information

A. The general steps of the MPR application process are as follows:

1. Pre-application: Applicants submit a pre-application described in Section IV below along with any supporting documentation as outlined in the Notice. Failure to timely submit all required documentation will result in an incomplete pre-application. This pre-application process is designed to lessen the cost burden on all applicants, including those who may not be eligible or whose proposals may not be feasible.

***Note:** If you receive a loan or grant award under this Notice, USDA reserves the right to post all information submitted as part of the pre-application/application package, which is not protected under the Privacy Act, on a public website with free and open access to any member of the public.*

2. Eligible Projects: Using criteria described below in Section III, the Agency will conduct an initial screening for eligibility. As described in Section VI, the Agency will conduct an additional eligibility screening later in the application process.

3. Scoring and Ranking: All complete, eligible and timely-filed pre-applications will be scored, ranked and put in potential funding categories as discussed in Sections VI and VII below.

4. Formal Applications: Top ranked pre-applicants will receive a letter from the Agency inviting them to submit a formal application. As discussed in Section III of this Notice, the Agency will require the owner to provide a CNA, completed in accordance with the Agency's published guidance (available at

<http://www.rd.usda.gov/programs-services/housing-preservation-revitalization-demonstration-loans-grants>) to underwrite the proposal to determine financial feasibility. Applicants will be informed of any proposals that are determined to be incomplete, ineligible or financially infeasible. Any proposal denied by the Agency will be returned to the applicant, and the applicant will be given appeal rights pursuant to 7 CFR part 11.

5. Financial Feasibility: The Agency will use the results of the CNA to help identify the need for resources and applicant provided information regarding anticipated or available third-party financing, in order to determine the financial feasibility of each potential transaction, using restructuring tools available either through existing regulatory authorities or specifically authorized through the MPR demonstration program. A project is financially feasible when it can provide affordable, decent, safe, and sanitary housing for 20 years or the remaining term of any Agency loan, whichever ends later, by using the authorities of this program while minimizing the cost to the Agency, and without

increasing rents for eligible tenants or farm laborers, except when necessary to meet normal and necessary operating expenses, as determined by the Agency. If the transaction is determined financially feasible by the Agency, the borrower will be offered a restructuring proposal, subject to available funding. This will include a requirement that the borrower execute, for recordation, an Agency-approved Restrictive-Use Covenant (RUC) for a period of 20 years, the remaining term of any loans, or the remaining term of any existing RUPs, whichever ends later. The restructuring proposal will be established in the MPRCC.

6. MPR Agreements: If the offer is accepted by the applicant, the applicant must sign and return the MPRCC. By signing the offer, the applicant agrees to the terms of the MPRCC. Any third-party lender will be required to subordinate to the Agency's RUC unless the Agency determines, on a case-by-case basis, that the lender's refusal to subordinate will not compromise the purpose of the MPR demonstration program.

7. General Requirements: The MPR transactions may be conducted with a stay-in owner (simple) or may involve a change in ownership (complex or portfolio). Any housing or related facilities that are constructed or repaired must meet the Agency design and construction standards and the development standards contained in 7 CFR part 1924, subparts A and C, respectively. Once constructed or rehabbed, Section 515 MFH and Sections 514/516 FLH projects must be managed in accordance with 7 CFR part 3560. Tenant eligibility will be limited to persons who qualify as an eligible household under Agency regulations. Tenant eligibility requirements are contained in 7 CFR 3560.152.

B. The application submission and scoring process will be completed in two phases in order to avoid unnecessary effort and expense on the part of applicants, are as follows:

1. Phase I - The first phase is the pre-application process. Applicants must submit a complete pre-application by the deadline listed under the “DATES” section of this Notice. The applicant’s submission will be classified as “complete” when the MPR pre-application is received in the correct format and place as described in this Notice for each existing property the applicant wishes to be considered in the demonstration program. In the event the MPR proposal involves a project consolidation, it will be completed in accordance with 7 CFR 3560.410. One pre-application for the proposed consolidated project is required and must identify each project included in the consolidation. If the MPR proposal involves a portfolio transaction (sale or stay-in owner), one pre-application for each project in the portfolio is required and each pre-application must identify each project included in the portfolio transaction. In order for the pre-application to be considered complete, all applicable information requested on the MPR pre-application form must be provided. Additional information that must be provided with the pre-application **to be considered complete**, when applicable, includes:

- (a) For all transfers of ownership, evidence of site control must be provided.
- (b) Current market data (defined as no more than 6 months old at time of filing) for any project not meeting the occupancy standards cited in sections III(2) and III(3) above. The market data must demonstrate there is need for the project evidenced by waiting lists and a housing shortage confirmed by local housing agencies and realtors and accepted by the Agency. The market data must show a clear need and demand for the project once a restructuring transaction is completed. The results of the survey of

existing or proposed rental or labor housing, including complex name, location, number of units, bedroom mix, family or elderly type, year built, and rent charges must be provided, as well as the existing vacancy rate of all available rental units in the community, their waiting lists and amenities, and the availability of RA or other subsidies. The Agency will determine whether or not the proposal has market feasibility based on the data provided by the applicant. Any costs associated with the completion of the market data is **NOT** an eligible program project expense.

(c) For a property that has been sold to a non-profit entity under the Sale to Non-Profit process defined in 3560, Subpart N, a copy of the recorded Deed.

Unless an exception under this section applies, the requirements stated in Section III, paragraphs (2) and (3) of this Notice must be met.

NOTE: *All documents must be received on or before the pre-application closing deadline to be considered complete and timely filed. Pre-applications that do not include evidence of site control for transfer proposals or current market data for projects that do not meet the occupancy standards of Section III paragraphs (2) and (3) of this Notice, will be considered incomplete and will be returned to the applicant.*

2. Phase II - The second phase of the application process will be completed by the Agency based on Agency records and the pre-application information submitted. All complete, eligible, and timely-filed pre-applications will be scored and ranked based on points received during this two-phase application process. Further, the Agency will categorize each MPR proposal as being a Simple, Complex, or Portfolio transaction

based on the information submitted on the pre-application, in accordance with the category descriptions provided in Section I of this Notice.

Pre-applications can be submitted either electronically or in hard copy. The Agency will record pre-applications received electronically by the actual date and time received in the MPR website mail box. This date may impact ranking of the pre-application as discussed under section VI. For all hard copy pre-applications received, the recorded receipt time will be the close of business time for the day received, for the location to which the pre-applications are sent. Assistance for filing electronic and hard copy pre-applications can be obtained from any Rural Development State Office. USDA Rural Development MFH State Office contacts can be found at

http://teamrd.usda.gov/rd/emp_services/directory/states/Combined.doc

(Note: Telephone numbers listed in the website are not toll-free.)

The pre-application is in Adobe Acrobat format and may be completed as a fillable form. The form contains a button labeled “Submit by E-mail.” Clicking on the button will result in an e-mail containing a completed pre-application being sent to the MPR website mail box for consideration. If a purchase agreement or market data is required, these additional documents are to be attached to the resulting e-mail prior to submission.

Pre-applications may be downloaded from the Agency’s website at <http://www.rd.usda.gov/programs-services/housing-preservation-revitalization-demonstration-loans-grants> or obtained by contacting the State Office in the State the project is located. Hard copy pre-applications and additional materials can be mailed to the attention of Dean Greenwalt or Abby Boggs, Finance and Loan Analyst, Multi-

Family Housing Preservation and Direct Loan Division, STOP 0782, (Room 1263-S),
U.S. Department of Agriculture, Rural Development, 1400 Independence Avenue, SW,
Washington, D.C. 20250-0782.

V. Application Review Information

A. Pre-application ranking points will be based on information provided during the submission process, and in Agency records. Only timely, complete pre-applications requesting debt deferral of eligible Section 514 or Section 515 loans **PLUS** other MPR funding tools will be ranked. Points will be awarded as follows:

1. Contribution of other sources of funds. Other funds are those discussed in Section I.B, “Other Sources of Funds” paragraph, items (a) through (f), above. Points will be awarded based on documented written evidence that the funds are *committed*, as determined by the Agency. “Commitment” means an actual award of funds, or another contractual agreement between a third-party funder and the borrower/applicant entity to provide funds.] *Commitments that include the terms such as ‘may’ or ‘intend’ will not be acceptable for scoring purposes.* The maximum points awarded for this criterion is 25 points. These points will be awarded in the following manner:

(a) Evidence of a commitment of at least \$3,000 to \$5,000 per unit per project from other sources - **15 points**, or

(b) Evidence of a commitment greater than \$5,000 per unit per project from other sources - **25 points**.

2. Owner contribution. Points will be awarded if the owner agrees to make a contribution of at least \$10,000 per project to pay transaction costs. (These funds cannot

be from the project's reserve, operating funds, tax credit equity or be in the form of donated services provided by the applicant.) Transaction costs are defined as those Agency-approved costs required to complete the transaction under this Notice and include, but are not limited to the CNA, legal and closing costs, appraisal costs and filing/recording fees. This contribution must be deposited into the respective project reserve account prior to closing the MPR transaction from the owner's non-project resources. **20 points**

3. Owner contribution for the hard costs of construction. (These funds cannot be from the project's reserve account or project's general operating account or in the form of a loan.) Hard costs of construction are defined as those costs for materials equipment, property or machinery required to complete the proposal under this Notice. Hard costs must be itemized on Form RD 1924-13, "*Estimate and Certificate of Actual Cost*". Form RD 1924-13 can be found at:

<http://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD1924-13.PDF>.

The minimum contribution required to receive these points is \$1,000 per unit per project, which will be required to be deposited in the project reserve account or supervised/construction account, as directed by Rural Development, prior to closing. An increased RTO may be allowed for funds committed in accordance with 7 CFR 3560.406(d)(14)(ii). **10 points**

4. Maturing Mortgages. Points will be awarded to properties where all existing RD loans will mature (*make their final loan payment*) on or before December 31, 2018. **10 Points.**

5. Persistent poverty counties. Points will be awarded to projects located in persistent poverty counties. A persistent poverty county is a classification for counties in the United States that have had a relatively high rate of poverty over a long period. The USDA's Economic Research Service (ERS) (<http://ers.usda.gov/>) is the main source of economic information and research for USDA and a principal agency of the U.S. Federal Statistical System located in Washington, D.C. ERS has defined counties as being persistently poor if 20 percent or more of their populations were living in poverty over the last 30 years (measured by the 1980, 1990, and 2000 decennial censuses and 2006-2010 American Community Survey 5-year estimates). **10 points**

6. Points may be awarded to projects that have been adversely impacted by an event that, as determined by the Agency, directly and exclusively results from the occurrence of natural causes that could not have been prevented by the exercise of foresight or caution over the previous 24 months, or other unavoidable accident causing physical property damage or failure that is not reimbursable by property, casualty or liability insurance any other form of third-party compensation, such as disaster loans and grants from other agencies. **25 points**

7. Age of project. For a project consolidation (including portfolio transactions) proposal, the project with the earliest operational date (operational date is the date the project initially placed in service and documented in MFIS) will be used in determining the age of the project. Since the age of the project and the date the project placed in service are generally directly related to physical needs, a maximum of 30 points will be awarded based on the following criteria:

- (a) Projects with initial operational dates prior to December 21, 1979 - **30 points.**
- (b) Projects with initial operational dates on or after December 21, 1979, but before December 15, 1989 - **20 points.**
- (c) Projects with initial operational dates on or after December 15, 1989, but before October 1, 1991 - **10 points.**
- (d) Projects with initial operational dates on or after October 1, 1991 – **0 points;**

8. Projects with Open Physical Findings. An “Open Physical Finding” is a condition at the property, identified by the Agency that is not in compliance with the Agency standards published in 7 CFR 3560.103. Projects with Open Physical Findings classified “B”, “C,” or “D”, as defined below, will be awarded points in the following manner:

CLASS “D” PROJECTS

Class “D” projects are those projects that are in default and may be taken into inventory, be lost to the program, or cause the displacement of tenants. Defaults can be monetary or non-monetary. Projects in default are those where the Agency has notified the borrower of a violation using the Agency’s servicing letter process, and the borrower has not addressed the violation to the Agency’s satisfaction.

CLASS “C” PROJECTS

Class “C” projects are projects with Open Physical or Financial findings or violations, which are not associated to an approved workout and/or transition plan. This can include projects with violations where a servicing letter has been issued but 60

calendar days have not passed since the issuance of the first servicing letter.

CLASS “B” PROJECTS

Class “B” projects indicate the Agency has taken servicing steps and the borrower is cooperating to resolve identified findings or violations by associating an approved workout plan and/or transition plan.

For transfer proposals:

- (a) For projects classified a “C” or “D” for 24 months or more. **20 points**
- (b) For projects classified as a “C” or “D” for less than 24 months. **15 points**

Stay-in owner proposals:

- (a) For projects classified as a “B” as a result of a workout and/or transition plan approved by the Agency prior to April 1, 2015. **25 points.**

- (b) Projects with an Agency “C” classification for 24 months or longer with Open Findings at the time the MPR pre- application is filed, **will not** be eligible to participate in the MPR demonstration program.

1. Closed Sale of Section 515 projects to non-profit/Public Housing Authority. The Agency will award 20 points for projects that have been sold to non-profit organizations under the prepayment process as explained in 7 CFR part 3560, Subpart N. To receive points, the borrower/applicant must provide a copy of the filed deed with their pre-application. **20 points.**

2. Prior approved Capital Needs Assessments (CNAs). In the interest of ensuring timely application processing and underwriting, the Agency will award up to 20 points for projects with CNAs already approved by the Agency. “Approved” means the date the CNA or an updated CNA was approved by the Agency. CNAs or updates before

October 1, 2013, may not be used for MPR underwriting without an update approved by the Agency. Points will be awarded for:

(a) CNAs approved on or after October 1, 2014, but prior to the publication of this Notice **20 points**

(b) CNAs approved on or after October 1, 2013, but prior to October 1, 2014, **10 points**

2. Tenant service provision. The Agency will award 5 points for applications that include new services provided by either a for-profit or a non-profit organization, which may include a faith-based organization, or by another Government agency. Such services shall be provided at no cost to the project and shall be made available to all tenants. Examples of such services may include transportation for the elderly, after-school day care services or after-school tutoring. **5 points.**

3. For portfolio sales and project consolidations, the Agency will award the following points:

(a) Proposal does not involve a consolidation of properties **0 points;**

(b) Proposal involves a consolidation of 2-4 properties **5 points;**

(c) Proposal involves a consolidation of 5 or more properties **10 points.**

4. Energy Conservation, Energy Generation, and Green Property Management. Under the MPR Energy Initiatives, projects may receive a maximum of 42 points under three categories: Energy Conservation, Energy Generation, and Green Property Management.

(a) Energy Conservation **30 points**

Pre-applications for rehabilitation and preservation of projects may be eligible to receive a maximum of 30 points for the following energy conservation measures.

(1) Participation in the Green Communities program by the Enterprise Community Partners, <http://www.enterprisecommunity.com/solutions-and-innovation/enterprise-green-communities>, will be awarded 30 points for any project that qualifies for the program. At least 30 percent of the points needed to qualify for the Green Communities program must be earned under the Energy Efficiency section of the Green Communities program. Green Communities has an initial checklist indicating prerequisites for participation. Each applicant must provide a checklist establishing that the prerequisites for each program's participation will be met. Additional points will be awarded for checklists that achieve higher levels of energy efficiency certification as set forth in paragraph 2 below. All checklists must be accompanied by a signed affidavit by the project architect or engineer stating that the goals are achievable.

(2) If you are not enrolling in the Green Communities program, then points can be accumulated for each of the following items up to a total of 20 points. Provide documentation to substantiate your answers below: *documentation may include a signed statement agreeing to replace the items, when needed, with Energy Star rated items.*

(i) This proposal includes the replacement of heating, ventilation and air conditioning (HVAC) equipment with Energy Star qualified heating, ventilation, and air conditioning equipment. **3 points**

(ii) This proposal includes the replacement of windows and doors with Energy Star qualified windows and doors. **3 points**

(iii) This proposal includes additional attic and wall insulation that exceeds the required R-Value of these building elements for your areas as per the International Energy Conservation Code 2012. Two points will be awarded if all exterior walls exceed insulation code, and 1 point will be awarded if attic insulation exceeds code for a maximum of **3 points**.

(iv) This proposal includes the reduction in building shell air leakage by at least 15 percent as determined by pre- and post-rehab blower door testing on a sample of units. Building shell air leakage may be reduced through materials such as caulk, spray foam, gaskets and house-wrap. Sealing of duct work with mastic, foil-backed tape, or aerosolized duct sealants can also help reduce air leakage. **3 points**

(v) This proposal includes 100 percent of installed appliances and exhaust fans that are Energy Star qualified. **2 points**

(vi) This proposal includes 100 percent of installed water heaters that are Energy Star qualified. **2 points**

(vii) This proposal included replacement of 100 percent of toilets with flush capacity of more than 1.6 gallon flush capacity with new toilets having 1.6 gallon flush capacity or less, and with Environment Protection Agency (EPA) Water Sense label. **1 point**

(viii) This proposal includes 100 percent of new showerheads with EPA Water Sense label. **1 point**

(ix) This proposal included 100 percent of new faucets with EPA Water Sense label. **1 point**

(x) This proposal included 100 percent energy-efficient lighting including, but not limited to, Energy Star qualified fixtures, compact fluorescent replacement bulbs in standard incandescent fixtures and Energy Star ceiling fans. **1 point**

AND

(3) Participation in local green/energy efficient building standards. Applicants who participate in a city, county, or municipality program will receive an additional 2 points. The applicant should be aware and look for additional requirements that are sometimes embedded in the third-party program's rating and verification systems. **2 points**

5. Energy Generation (maximum 5 points)

Pre-applications which participate in the Green Communities program by the Enterprise Community Partners, or receive at least 20 points for Energy Conservation measures, are eligible to earn additional points for installation of on-site renewable energy sources. Renewable, on-site energy generation will complement a weather-tight, well-insulated building envelope with highly efficient mechanical systems. Possible renewable energy generation technologies include, but are not limited to: wind turbines and micro-turbines, micro-hydro power, photovoltaic (capable of producing a voltage when exposed to radiant energy, especially light), solar hot water systems and biomass/biofuel systems that do not use fossil fuels in production. Geo-exchange systems are highly encouraged as they lessen the total demand for energy and, if supplemented with other renewable energy sources, can achieve zero energy consumption more easily.

Points under this paragraph will be awarded as follows. Projects with preliminary or rehabilitation building plans and energy analysis that propose a 10 percent to 100

percent energy generation commitment (where generation is considered to be the total amount of energy needed to be generated on-site to make the building a net-zero consumer of energy) may be awarded points corresponding to their percent of commitment as follows:

- (a) 0 to 9 percent commitment to energy generation receives **0 points**;
- (b) 10 to 20 percent commitment to energy generation receives **1 point**;
- (c) 21 to 40 percent commitment to energy generation receives **2 points**;
- (d) 41 to 60 percent commitment to energy generation receives **3 points**;
- (e) 61 to 80 percent commitment to energy generation receives **4 points**;
- (f) 81 to 100 percent or more commitment to energy generation receives **5 points**.

In order to receive more than 1 point for this energy generation paragraph, an accurate energy analysis prepared by an engineer will need to be submitted with the pre-application. Energy analysis of preliminary building plans using industry-recognized simulation software must document the projected total energy consumption of the building, the portion of building consumption which will be satisfied through on-site generation, and the building's Home Energy Rating System (HERS) score.

6. Green Property Management Credentials **5 points**

Pre-applications may be awarded an additional 5 points if the designated property management company or individuals that will assume maintenance and operations responsibilities upon completion of construction work have a Credential for Green Property Management. Credentialing can be obtained from the National Apartment Association (NAA), National Affordable Housing Management Association, the Institute

for Real Estate Management, or the U.S. Green Building Council's Leadership in Energy and Environmental Design for Operations and Maintenance (LEED OM). Credentialing must be illustrated in the resume(s) of the property management team and included with the pre-application.

The Agency will total the points awarded to each pre-application and rank each pre-application according to total score. If point totals are equal, the earliest time and date the pre-application was received by the Agency will determine the ranking. In the event pre-applications are still tied, they will be further ranked by giving priority to those projects with the earliest Rural Development operational date as defined under section V A 7.

B. Confirmation of Eligibility.

For pre-applications submitted under Round 1 of this Notice requesting debt deferral only of the eligible Section 515 or Section 514 loans, the Agency will conduct eligibility determinations on an ongoing basis, and eligible applicants will be authorized to proceed, subject to the availability of appropriated funds under the MPR program.

For pre-applications submitted under Round 2 of this Notice, Eligibility will be confirmed after ranking is completed on the highest-scoring pre-applications in each State. If one or more of the highest-scoring pre-applications is determined ineligible, (i.e. the applicant is a borrower that is not in good standing with the Agency or has been debarred or suspended by the Agency, etc.), then the next highest-scoring pre-application will be confirmed for eligibility.

If one or more of the highest ranking pre-applications is a portfolio transaction, eligibility determinations will be conducted on each pre-application associated with the

portfolio. Should any of the pre-applications associated with the portfolio be determined ineligible, those ineligible pre-application(s) will be rejected, but the overall eligibility of the portfolio will not be affected as long as the requirements in Section I and other provisions of this Notice are met, as determined by the Agency.

If one or more of the highest-ranking pre-applications in a State is a project consolidation, and one of the projects involved in the consolidation does not meet the occupancy standards cited in Section III (ii), that project(s) will be determined ineligible and eliminated from the proposed consolidation transaction.

VI. Award Administration Information

A. Selection of pre-applications for further processing.

For pre-applications submitted under this Notice and requesting debt deferral only, the Agency will complete the eligibility confirmations on an ongoing basis and authorize those applicants determined eligible to proceed, subject to the availability of appropriated funds under the MPR program

For pre-applications submitted under this Notice, the Agency will conduct a four-step process, described below, to select eligible pre-applications for submission of formal applications. This process will allow the Agency to develop a representative sampling of revitalization transaction types, assure geographic distribution, and assure an adequate pipeline of transactions to use all available funding. No State will be authorized to accept more than ten (10) pre-applications for submission of formal applications. If an insufficient number of pre-applications is received to use available funds, the Agency, at its sole discretion, may exceed the maximum pre-application cap per State.

All MPR funding tools are available to be used on both Sections 514/516 and Section 515 projects.

STEP ONE: The Agency will review the eligible pre-applications, categorize each pre-application as either Simple, Complex, or Portfolio (see section I), and sort by State.

STEP TWO: Portfolio transactions will be limited to 3 per State (either RRH or FLH) and will count as 3 MPR transactions. A portfolio transaction, as defined in section I, will be limited to a maximum of 15 projects.

STEP THREE: The highest ranked complex transactions (RRH or FLH) will be selected for further processing, not to exceed 2 per State.

STEP FOUR: Additional projects will be selected from the highest ranked eligible pre-applications involving simple transactions in each State until a total of 10 (RRH or FLH) pre-applications for MPR transactions is reached.

If there are insufficient funds for all projects selected under any step, the Agency may suspend further selections.

This demonstration project is subject to the availability of funds. Any selected eligible applications from this Notice or prior NOFAs will be carried over to the next fiscal year for consideration. Any such unfunded pre-applications not approved by the Agency prior to December 31, 2017, will automatically be considered withdrawn by the Agency. Applicants, however, may reapply for funding under future Notices.

B. Pre-Application Selection

Those eligible pre-applications that are ranked and then selected for further processing will be invited to submit a formal application on SF 424, "Application for Federal Assistance." Applications (SF 424s) can be obtained and completed online. An electronic version of this form may be found at:

<http://www.epa.gov/ogd/AppKit/index.htm>. A hard copy may be obtained by contacting the State Office in the State where the project is located and can be submitted either electronically or in hard copy. Refer to Section VIII of this Notice, below, for a link to all Rural Development State Offices.

Those eligible pre-applications that are not selected for further processing will be retained by the Agency unless they are withdrawn according to this Notice. Applicants rejected will be notified that their pre-applications were not selected and advised of their appeal rights under 7 CFR part 11. In the event a pre-application is selected for further processing and the applicant declines, the next highest ranked pre-application of the same transaction type in that State will be selected provided there is no change in the preliminary eligibility of the pre-applicant. If there are no other pre-applications of the same transaction type, then the next highest-ranked pre-application, regardless of transaction type, will be selected.

Awards made under this Notice are subject to the provisions contained in the Agriculture, Consolidated and Further Continuing Appropriations Act, 2015, Pub.L. 113-235, Division E, Title 1, sections 744 and 745, regarding corporate felony convictions and corporate federal tax delinquencies. In accordance with those provisions, **only**

selected applicants that are or propose to be corporations need submit the following form as part of their MPR application; such applicants must submit an executed form AD-3030, which can be found online at: <http://www.ocio.usda.gov/document/ad3030>.

If a pre-application is accepted for further processing, the applicant must submit additional information needed to demonstrate eligibility and feasibility (such as a CNA), consistent with this Notice and 7 CFR part 3560, prior to the issuance of any restructuring offer. The Agency will provide additional guidance to the applicant and request information and documents necessary to complete the underwriting and review process. Since the character of each application may vary substantially depending on the type of transaction proposed, information requirements will be provided as appropriate. Complete project information must be submitted as soon as possible, but in no case later than 45 calendar days from the date of Agency notification of the applicant's selection for further processing. Failure to submit the required information in a timely manner may result in the Agency discontinuing the processing of the request.

The Agency will work with the applicants selected for further processing in accordance with the following:

(a) Based on the feasibility of the type of transaction that will best suit the project and the availability of funds, further eligibility confirmation determinations will be conducted by the Agency.

(b) If an Agency-approved CNA has not already been submitted to the Agency, an Agency-approved CNA will be required (see 7 CFR 3560.103(c) and the Agency's published "Guidance on the Capital Needs Assessment Process" available at <http://www.rd.usda.gov/programs-services/housing-preservation-revitalization->

[demonstration-loans-grants](#) and the CNA Statement of Work together with any non-conflicting amendments). Agency-approved CNAs must be prepared by a qualified independent contractor, and are obtained to determine needed repairs and any necessary adjustments to the reserve account for long-term project viability.

(c) Underwriting will be conducted by the Agency. The feasibility and structure of each revitalization proposal will be based on the Agency's underwriting and determination of the MPR funding tools that will minimize the cost to the Government consistent with the purposes of this Notice.

C. MPR Offers.

Approved MPR offers will be presented to successful applicants who will then have up to 15 calendar days to accept or reject the offer in writing. If no offer is made, the application will be rejected and appeal rights will be given. Closing of MPR offers will occur within six months of the obligation of MPR tools unless extended in writing by the Agency.

VII. Non-Discrimination Statement

The U.S. Department of Agriculture (USDA) is an equal opportunity provider, employer, and lender. All borrowers and applicants will comply with the provisions of 7 CFR 3560.2. All housing must meet the accessibility requirements found at 7 CFR 3560.60(d). All MPR participants must submit or have on file a valid Form RD 400-1, "*Equal Opportunity Agreement*" and Form RD 400-4, "*Assurance Agreement*."

The U.S. Department of Agriculture prohibits discrimination against its customers, employees, and applicants for employment on the basis of race, color, national origin, age, disability, sex, gender identity, religion, reprisal, and where applicable, political beliefs, marital status, familial or parental status, sexual orientation, all or part of an individual's income is derived from any public assistance program, or protected genetic information in employment or in any program or activity conducted or funded by the Department. (Not all prohibited bases will apply to all programs and/or employment activities.)

If you wish to file an employment complaint, you must contact your Agency's EEO Counselor within 45 days of the date of the alleged discriminatory act, event, or in the case of a personnel action. Additional information can be found online at:

http://www.ascr.usda.gov/complaint_filing_file.html.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at:

http://www.ascr.usda.gov/complaint_filing_cust.html, any USDA office, or call (866)

632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 720-7442 or e-mail at: program.intake@usda.gov.

Individuals who are deaf, hard of hearing or have speech disabilities and you wish to file either an EEO or program complaint please contact USDA through the Federal Relay Service at (800) 877-8339 or (800) 845-6136 (in Spanish).

Persons with disabilities, who wish to file a program complaint, please see information above on how to contact us by mail directly or by e-mail. If you require alternative means of communication for program information (e.g., Braille, large print, audiotape, etc.) please contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

VIII. Award Agency Contacts

USDA Rural Development MFH State Office contacts can be found at http://teamrd.usda.gov/rd/emp_services/directory/states/Combined.doc

(Note: Telephone numbers listed are not toll-free.)

Appropriation Act funding will be posted on the Rural Development website.

All adverse determinations are appealable pursuant to 7 CFR part 11. Instructions on the appeal process will be provided at the time an applicant is notified of the adverse action.

Tony Hernandez
Administrator
Rural Housing Service

July 28, 2015.
Date

[FR Doc. 2015-18990 Filed: 7/31/2015 08:45 am; Publication Date: 8/3/2015]